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FEDERAL MARITIME
COMMISSION
OFFICE OF THE SECRETARY

LEASE ENTERED INTO SEPTEMBER 26, 1985

BETWEEN

PORT OF SEATTLE

AND

AMERICAN PRESIDENT LINES, LTD.

AT

TERMINAL 5

FMC No.: _____
Effective Date: _____

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L E A S E

THIS LEASE is entered into September 26, 1985, by and between the PORT OF SEATTLE, a Washington municipal corporation, as Lessor, hereinafter referred to as the "Port", and AMERICAN PRESIDENT LINES, LTD., a Delaware Corporation, hereinafter referred to as "Lessee",

R E C I T A L S:

A. The Port granted to Lessee a lease dated April 14, 1981 of terminal premises at the Port's Terminal 46 and the Federal Maritime Commission approved that lease under the Designation Agreement T-3968. That lease was modified by a First Amendment dated March 13, 1984 which was approved by the FMC under the designation Agreement T-3968-1; and

B. The Port granted to Lessee a lease dated May 12, 1981 of container freight station premises at the Port's Terminal 25 and the Federal Maritime Commission approved that lease under the designation Agreement T-3968A.

C. By this new Lease, the parties wish to provide for a phased relocation of Lessee from Terminals 25 and 46 to Terminal 5, an agreement for Lessee's operations at Terminal 46 and Terminal 5 during the Port's renovation of the Terminal and an agreement for Lessee's long term use and occupancy of Terminal 5, and to further provide for construction required by Lessee for its use of Terminal 5 with certain costs paid by the Port to be amortized by Lessee's payments to the Port over the term of this new Lease.

NOW THEREFORE, in consideration of their mutual promises, the parties do hereby agree as follows:

LEASED
PREMISES
AND
EQUIPMENT

1. (a) The Port hereby leases to Lessee, and Lessee hereby accepts from the Port the premises in King County, Washington subject to this Lease, hereinafter "the Premises", consisting of approximately 77 acres of improved ground area shown on Port Drawing No. PM-5-23 attached as Exhibit A, which includes, among other improvements, a container freight station, landscaping, blacktop, fences, gates, 218 reefer outlets, four truck scales, utilities, gatehouse, office buildings, signs, bumperblocks, container maintenance and repair structures, and the preferential use on a non-continuous ship-by-ship basis (in no event to exceed five (5) consecutive days) of approximately 2,500 lineal feet of berth with a 200 foot wide apron contiguous thereto, all of which improvements are more fully described on Exhibit B. The foregoing Premises and Lessee's use thereof are subject to the following easement in favor of third parties;

1) An easement for ingress and egress by KBLE radio station personnel to the broadcast tower situated at the Southwest portion of the Premises (in the KBLE Reserved Antenna Premises shown on Exhibit A) and an easement and license for access to, and operation and protection of, a surrounding underground antenna provided on attached Exhibit A-1 and shown on drawings referenced therein, and other uses stated therein.

2) An easement for ingress and egress on KJR radio station personnel to the underground antenna, and easement and license for access to, and operation and protection of, the antenna, (associated with KJR radio broadcast tower) situated along the Northeast corner of the Terminal, provided on attached Exhibit A-2 and shown on drawings referenced therein, and other uses stated therein.

(b) In order to accommodate the transition from Lessee's occupancy of Terminals 46 and 25 to Terminal 5 and to provide for the phased construction, improvement and/or acquisition of the Premises as described above the use and occupancy of the Premises during the initial period of this lease shall be as provided in paragraph 11 below. All Terminal 46 and other areas while occupied by Lessee on this interim basis, as provided more specifically in paragraph 11(a) below, shall also be part of the Premises subject to this lease.

(c) The Port hereby warrants to Lessee the quiet enjoyment of the Premises for the use permitted by this lease, subject to the provisions of subparagraphs 1(a)(1) and (2) above, and paragraph 38 below.

(d) With regard to Container Cranes, the Port agrees as follows:

(i) to Lessee's preferential use on a non-continuous, ship-by-ship basis, in no event to exceed five (5) consecutive days, of four (4) Port owned container cranes, each having a lift capacity of not less than 50 long tons and a 95-foot lift height clearance above the dock. These Cranes (collectively referred to as "the Cranes") are more particularly identified as Port designated Crane nos. 61, 62, 63 and 64, or their equal or better, all in full operating condition and capable of serving the Premises.

(ii) to furnish, by repair or replacement, Cranes having the minimum characteristics described in this subparagraph (d), which shall be functionally operational throughout the lease term, provided that the Lessee has complied with its obligation to maintain the Cranes, as in paragraph 8(b) below.

(iii) to provide a fifth Container Crane upon Lessee giving the Port not less than six (6) months' notice. The Crane to be furnished shall have at least a 40-ton capacity and an 80-foot above dock lift height clearance. When installed, Lessee shall pay for use of the Crane at Port tariff rates.

(iv) the Port's Terminal Tariff No.3 contains a component for maintenance and fuel and a component for Port overhead. Since Lessee

is obligated to provide its own maintenance and fuel, it shall pay crane tariff charges for the 4th Crane and 5th Crane, if any, under Item III of Exhibit C exclusive of the component for maintenance and fuel. Recognizing that the Port's Tariff No. 3 may change in the future, the Port agrees that in formulating any tariff revisions it will not arbitrarily allocate a greater share of increases to the overhead component for crane rental as compared to those increases allocated to maintenance and fuel and will disclose to APL those allocations.

(e) The Port now owns three properties in the vicinity of Terminal 5 which are under lease commitments to others. In addition, the Port may (but does not obligate itself) to acquire a fourth property at some future date. These properties are (a) the Port-owned Salmon Terminals property consisting of approximately 100,000 square feet under lease to Lockheed, (b) the Port-owned old Sea-Land C.F.S. property now under lease to Lockheed, (c) the Lockheed parking lot owned by the Port and leased to that company and (d) the Wyckoff Lumber Company property which is not owned by the Port at the present time, all of which are shown on Exhibit E. If and when any of the above leased properties become available to the Port through termination of existing leases or any extensions provided for therein, Lessee shall have the right to lease these properties, or any of them. The Port will give Lessee not less than thirty (30) days' notice after any such properties become available and Lessee shall have the right during that thirty (30)-day period to have them included in the Terminal 5 lease by appropriate addendum. In the event that the Port determines to acquire the Wyckoff property, it will give the Lessee not less than thirty (30) days' notice if it thereafter determines to lease or sell that property and Lessee shall have the right during the thirty (30) day period to have it included in the Terminal 5 lease by appropriate addendum. Nothing herein shall preclude the Port from operating the Wyckoff property for its own purposes. If Lessee exercises the rights for additional premises under this paragraph, all terms and conditions of the Terminal 5 lease shall govern. The Port will develop any additional premises for normal container yard operations inclusive of paving, striping, signing, and lighting and the initial rent for such additional premises shall be the rental rate then in effect under the Terminal 5 lease and it shall be adjusted thereafter as provided in the Terminal 5 lease. Any additional development beyond normal container yard required by Lessee shall be provided subject to further negotiations between parties. Any development performed by the Port shall be completed within a reasonable time period taking into account the time necessary to complete the design, permitting and construction process.

TERM

2. (a) This lease shall become effective on the later of:

1) The first day of the first month following the date it becomes effective under Section 6 of the Shipping Act of 1984 (46 U.S.C. § 1705), if required to be filed under Federal Maritime Commission regulations, or

2) January 1, 1986.

(b) The term of this lease shall end December 31, 2015, unless earlier terminated in accordance with the terms hereof.

(c) Upon the effective date of this lease, the lease of Port Terminal 46, as amended referenced in Recital A above shall be superseded and terminated, and Lessee shall not be liable for rent amortization and other obligations accruing under said leases thereafter. Upon the completion of the container freight station at Terminal 5 the lease of Port Terminal 25 shall in like manner be superseded and terminated. The parties shall notify the Federal Maritime Commission promptly following the completion of the container freight station on Terminal 5 and the consequent termination of the lease on Terminal 25.

(d) The Port grants to the Lessee two options to extend this lease for two additional terms of five years each, the first covering the period January 1, 2016 to December 31, 2020, the second covering the period January 1, 2021 to December 31, 2025. Each option shall be exercised separately and shall expire unless exercised by notice in writing from Lessee to the Port, given not less than 180 nor more than 365 days prior to the end of the then-existing lease term. Promptly following the Lessee's notice the parties shall negotiate in good faith for an agreed rental, for the forthcoming five (5) year lease period. Such renegotiated rent shall be at fair market rental value for the Premises including Port-owned trade fixtures and improvements. This value shall be determined on a square footage or other appropriate basis then customarily used for comparable properties in the Seattle area as bounded by North 85th Street on the north, Interstate Highway #5 on the east, Southwest 240th Street on the south, and Puget Sound on the west. The value of any trade fixtures and improvements at the premises financed by Lessee at no cost to the Port (including without limitation by payments amortizing any reimbursement by the Port of Lessee's construction costs) shall be excluded in determining the fair market rental value of the premises. In the event that the parties cannot agree on the rent prior to sixty (60) days before the effective date of the new term, the rent shall be finally determined in arbitration proceedings in Seattle according to the foregoing formula, by three impartial arbitrators, each of whom shall be a member of either the Society of Industrial Realtors or of the Washington-British Columbia Chapter of the American Institute of Real Estate Appraisers and shall be experienced in the evaluation of the type of premises subject to this

lease. Each party shall select and fully compensate one of these arbitrators and the third arbitrator shall be selected by the other two and compensated in equal shares by the parties. A majority of the arbitration panel shall decide the issue. All procedural questions of law and of fact which relate to rent determination by the arbitrators shall be left to their final disposition. In the event the arbitrators have not determined the new rent by the beginning of the extended term, Lessee shall pay the rent proposed by the Port commencing with said date until the arbitrators have completed their determination. At that time the rent shall be retroactively adjusted on the basis of such determination, with interest at the rate indicated in paragraph 20 "Defaults" to be paid by the Port in the event of an overpayment by Lessee and to be paid by Lessee in the event of an underpayment by Lessee. Upon the consent of both parties, issues may be submitted for decision by a single arbitrator.

RENT

3. (a) Lessee covenants to pay rentals, Crane use charges and amortization charges for certain improvements to the Premises monthly at the Port's address provided in paragraph 32, in advance on or before the first day of each month, in the amounts set forth in items I, II and III of Exhibit C hereto. The Crane use charges specified in item III of Exhibit C shall continue through the full term of this lease. The amortization charges for certain leasehold improvements specified in item IIA of Exhibit C and described in Part II of Exhibit B shall continue through the time shown on Exhibit C when the full cost of these improvements will be amortized. The rent payments specified in item I of Exhibit C cover the lease period through June 30, 1995, following which the rent payments shall be determined and paid under the following formula:

Rents for the successive 5 year periods from and after July 1, 1995, through the remainder of the lease, shall be the lesser of (i) the rent payments set forth in the following table or (ii) the sum of the percentage increases during each of the preceding five year periods, as set forth in the Consumer Price Index, multiplied and applied to the rent payable in the year preceding the adjustment:

<u>Period</u>	<u>Annual Per-Acre Rent</u>	<u>Annual Rent</u>	<u>Monthly Rent</u>
July 1, 1995 to June 30, 2000	\$ 52,654	\$ 4,054,358	\$337,863.16
July 1, 2000 to June 30, 2005	\$ 67,185	\$ 5,173,245	\$431,103.75
July 1, 2005 to June 30, 2010	\$ 94,061	\$ 7,242,697	\$603,558.08
July 1, 2010 to Dec. 31, 2015	\$141,092	\$10,864,084	\$905,340.33

(b) In the event that the original investment by the Port in Cranes installed on the Premises has not been recaptured by June 30, 2000

through crane payments and secondary use charges the Port may at any time thereafter give Lessee written notice of that fact, in which event the parties shall promptly enter into good faith negotiations to establish a rental surcharge, in no event to exceed 5% of the rentals fixed under paragraph 3(a), to enable the Port to recapture such unreimbursed Crane costs. If the parties are unable to agree upon an appropriate adjustment within 90 days from the date of the Port's notice, the issue of the extent to which the Port has unreimbursed Crane costs shall be submitted to arbitration by three arbitrators having the qualifications and using the procedures provided for arbitration of issues in paragraph 2(d) hereof.

(c) Notwithstanding any other provision of this paragraph 3, it is the intent of the parties to provide Lessee, at all times, including any extended terms under paragraph 2(d), with terms of occupancy, use, and control of the leased Premises as equally beneficial as those available to any other container terminal lessees from the Port of Seattle. The Port, therefore, agrees that in those instances where agreements between the Port and other terminal operators are entered into or modified after the effective date of this lease, and where such agreements provide for more beneficial terms (excluding agreements for changes in premises without change in rental rates or other terms), within thirty (30) days after the commencement of such other agreements it will enter into good faith negotiations with Lessee to modify this lease to provide for similarly beneficial terms to take effect as soon as legally feasible.

(d) Each monthly payment provided for in subparagraph (a) shall be accompanied by a written report in the form attached hereto as Exhibit D enumerating Lessee's activities in marine commerce during the second most recent calendar month. The Port will employ this report from Lessee in preparing statistical summaries for the benefit of the marine industry and the public in King County, Washington, only and will maintain confidentiality of Lessee's individual report, or accumulated reports, to the fullest extent permitted by law.

(e) In the event that labor disturbances resulting in work stoppages occur which prevent the handling of cargo at the Premises cumulatively in excess of thirty (30) days per lease year, upon written notification from Lessee to the Port indicating the effective and termination dates of such disturbances, Lessee's rent (except amortization payments which shall continue unabated) as provided for in paragraph 3(a) shall be reduced by eliminating the pro-rated daily rent for the number of days stoppage during the lease year in question in excess of 30 days; provided, however, that such rent shall not be reduced by more than 50% for any lease year. In the event any particular stoppage begins in one (1) lease year and terminates in the succeeding lease year, the period of stoppage shall

be deemed to have occurred in the lease year in which stoppage commenced.

(f) In the event that land or water access to the Premises is obstructed, or the terminal is rendered inoperative, for any cause (including soils problems referenced in paragraph 7(b) below) beyond the control of Lessee, and as a result the Lessee's use of the premises is materially impaired, there shall be an abatement of the rental due the Port for such inhibition of Lessee's operations in the same proportion that the Lessee's inhibited operations bears to its full operation as of the time of such disruption. A disruption within the meaning of this subparagraph (f) or subparagraph (g) shall not be deemed to include either strikes or labor disturbances or any decision by Lessee to alter or suspend its transportation service to the Pacific Northwest.

(g) In the event of the occurrence of a disruption described in paragraph (f) above which prevents the Lessee from conducting its business and such disruption continues for a period of more than six (6) months, either party hereto may, by written notice to the other before expiration of said disruption period and after expiration of said six (6) months, immediately terminate this Lease. All obligations hereunder between the parties after said termination date which accrue under the provision of this Lease shall then be discharged.

BOND OR
OTHER
SECURITY

4. (a) Lessee shall, upon execution of this lease, file with the Port a good and sufficient corporate surety company bond, rental insurance policy, or other security (hereinafter referred to as the "Bond") in an amount equal to 6 months of the monthly payments for which Lessee is responsible under Exhibit C and paragraph 3(a) to secure pro tanto the full performance by Lessee of the terms and conditions of this lease applicable to Lessee. The form and provisions of the Bond, and the identity of the surety or insurer thereon, shall be subject to the approval of the Port. The amount of the Bond shall be subject to increase from time to time throughout the term of this Lease if required by applicable laws of the State of Washington. If Lessee fails to provide and thereafter maintain a bond complying with the foregoing requirements, Lessee shall be considered in default hereunder and subject to the Port's right under subparagraph (c) of this paragraph and paragraph 20 "Defaults" below. No future amendment or extension to this lease shall be effective until the surety, or insurer provided for below, has given its consent thereto and the amount of the Bond has been adjusted as required. The Bond may be underwritten for a specific term and renewed or replaced, provided that the bond provides the Port with not less than one year's notice of termination. In the event of any such termination, Lessee shall obtain a new Bond, also subject to Port approval, to replace the Bond being so terminated to be effective on or before the date of termination.

(b) The Lessee may with consent of the Port elect to secure its full performance of the rental payment of this lease through participation in and subject to the terms and conditions of the Port's rental guarantee insurance program if said program is available. In the event of such election by Lessee and acceptance of Lessee by the rental insurer, the rental insurance premium payable by Lessee shall be an added charge due and collected with rent payments.

(c) Until such time as Lessee furnishes the Bond in accordance with the provisions of subparagraph (a) above, or Lessee in the alternative fully qualifies for rental insurance under the provisions of subparagraph (b) above relating to the Port's rental guarantee insurance program if available, and in the event Lessee at any time or times during the stated term of this lease shall cease to be in compliance with the provisions of this paragraph 4 (even if due to discontinuance of a Port rental guarantee insurance program), the Port at its sole option may elect to exercise any or all of its rights under paragraph 20 "Defaults" below, following fifteen (15) days' prior written notice to Lessee. Pending Lessee's cure of its default or the effective date of any termination for default so elected by the Port, Lessee shall pay rent and all other sums owing by the Port under this lease.

(d) It is further agreed that in the event the laws of the State of Washington applicable hereto shall hereafter be amended, the provisions of this entire paragraph 4 shall be deemed likewise automatically amended upon the effective date of such statutory amendments, to the extent and in a manner necessary to comply therewith.

USE OF
PREMISES
AND CRANES

5. (a) Lessee shall use the Premises for the loading and discharging of vessels of American President Lines, Ltd. and those vessels of additional lines approved in writing by the Port's Executive Director from time-to-time pursuant to subparagraph 5(b) herein, and for Lessee's operations incidental thereto, and shall not use them for any other purpose without prior written consent of the Port. Lessee may conduct its own stevedoring and terminal services operations or subcontract with others to perform these operations. Lessee shall use the entire Premises for the conduct of said business in a first-class manner continuously during the entire term of this Lease, with the exception of temporary closures for such periods as may reasonably be necessary for repairs or for reasons beyond Lessee's reasonable control. It is the Port's intent to at all times provide Lessee with a functional and operational terminal. Recognizing the rights of radio stations KJR and KBLZ described in Exhibits A-1 and A-2, the Port agrees to take any timely, necessary and reasonable corrective action to allow Lessee to conduct an efficient operation essentially the same in all respects as its operation at Terminal 46. If, in the future, Lessee proposes to modify its operation

and the exercise of the radio stations' rights interfere with Lessee's proposed operation or Lessee's proposed operation interferes with the radio stations, the Port will diligently work with Lessee to resolve the problem. The Port agrees to enter into good faith negotiations with Lessee on the issue of the extent to which the Port will assume financial responsibility for corrective measures necessary for Lessee's proposed operations to be implemented. Lessee shall comply with any and all signs affixed by the Port in or on the Premises as of the commencement of the Lessee relative to maximum ground loading. The uses permitted by this subparagraph 5(a) include without limitation service to the vessels presently known as RO-RO and neobulk together with such other methods of cargo and container handling and shipping as may be used by Lessee during the term of this Lease as are not incompatible with the uses contemplated by subsection (a) of this section. Lessee has within its fleet breakbulk vessels which carry a substantial number of containers. Such vessels, whether of Lessee's own fleet or fleets or of an invitee approved by the Executive Director, and whether handling containers or breakbulk cargo, may be serviced at the Premises at the election of Lessee and on the same basis as other uses contemplated by this Lease.

(b) Lessee may contract for the use of the Premises and Cranes for berthing of vessels and for performing terminal, stevedore, and equipment and maintenance services with companies in addition to the American President Lines, if the Port's Executive Director approves such additional use in writing, which approval shall not unreasonably be withheld. Lessee shall retain all charges collected from its customers. No charge shall be due or payable to the Port under this subparagraph (b).

(c) The Port reserves the right of secondary use of all or any part of the Premises and equipment for berthing of vessels operated by companies other than those of Lessee's invitees approved by the Port under paragraph 5(b), for the loading and discharging of cargos of such vessels and operations incidental thereto, provided that such secondary use of the Premises and equipment by the Port shall not interfere with Lessee's operations authorized in this Lease. In the event of such secondary use by the Port, all applicable charges shall accrue to the benefit of and shall be billed and retained by the Port. Utility charges and maintenance costs applicable to secondary usage shall be the responsibility of the Port. The Port's liability insurance shall be considered primary over that of the Lessee during such usage.

UTILITIES

6. Except as provided in subparagraph 5(c), Lessee shall be liable for and shall pay throughout the term of this Lease, all charges for and all maintenance within the Premises of, utility services furnished to the Premises, including, but not limited to heat, electricity, gas, water, sewerage,

garbage disposal, janitorial services, and ADT (American District Telegraph) or equivalent sprinkler alarm service.

**ACCEPTANCE
OF PREMISES
AND CRANES**

7. (a) Before entering into possession of each Crane and of any portion of the Premises or taking possession of any improvements to the Premises, the Lessee shall examine and inspect the same. Upon such entry or taking possession the Lessee shall be deemed to have accepted them in their condition as delivered. This provision shall not relieve the Port of its obligation to complete the improvements specified in Exhibit B hereto in a good and workmanlike manner. The Lessee shall notify the Port in writing of any patent deficiencies promptly after such entry or taking possession. Failure to give such notice shall be deemed an acceptance of the Premises or such improvements except for latent defects. In connection with any future use of the Premises the Lessee will make any changes in the Premises necessary to conform to federal, state and local laws should Lessee engage in any changed practices of a different or unusual nature.

(b) In the event that any of the Premises made available by the Port to Lessee under this Lease are subsequently determined to have contained toxic materials or contaminants at the time such Premises were made available to Lessee, the Port hereby agrees to indemnify and hold Lessee harmless from any and all liability or expense (including expense of litigation) incurred due to the presence of such toxic materials or contaminants in the Premises, due to actions required by any governmental agency with regard to such toxic materials or contaminants, and/or as a result of any other corrective actions which Lessee was required to take. Abatement of rentals is provided for in paragraph 3(f) above.

**MAINTENANCE
AND REPAIR**

8. (a) At the expiration or sooner termination of this Lease, Lessee shall, subject to the provisions of subparagraph 5(c), return the Premises to the Port in the same condition in which received (or, if altered by Lessee with the Port's consent, then the premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or other casualty excepted. Lessee shall, at its own expense, at all times keep the Premises, and the roadways and sidewalks within the Premises neat, clean, and in a safe and sanitary condition, free from infestation of pests and conditions which might result in harborage for, or infestation of, pests. (The word "pests" as used herein, shall include, without limitation, rodents, insects, and birds in number to the extent that a nuisance is created.) Lessee shall also keep the glass of all windows and doors on the Premises clean and presentable, and shall, subject to the provisions of subparagraph 5(c), maintain and keep the Premises in a good state of repair, normal wear and tear excepted, and shall commit no waste of any kind. Lessee shall replace all cracked or broken glass in the Premises, and keep the electrical systems and the sprinkler systems and all drains

clean and in a good state of repair, and shall protect the sprinkler systems and all pipes and drains so that they will not freeze or become clogged; and further, Lessee's obligation to make all necessary repairs shall not extend to structural maintenance and repairs or to the ground underlying the foundation of the Premises, including piling supporting the docks or structure, to maintenance and repairs required as a result of secondary use of the Premises by the Port, nor to the actual subsidence of ground on which the structures repose, except to the extent that any of the repairs described in this provision may be required as a result of damage caused by negligence of the Lessee or its agents, employees, invitees or licensees. Lessee shall remove all snow, ice and volcanic ash from the sidewalk and roadways and from structure roofs. Maintenance of paving shall be Lessee's responsibility except to the extent caused by subsidence, provided that if Lessee uses equipment which exceeds the wheel load limit in the B-20 loading areas identified in Exhibit A, the Port will have no responsibility for subsidence in any such areas. Landscape maintenance expenses shall be Lessee's responsibility.

(b) Maintenance and repair of Cranes shall be the sole responsibility of the Lessee. Lessee agrees to maintain each Crane at all times in a safe operating condition and in strict conformance with the applicable Port's Preventive Maintenance Schedule and Port's General Standards of Crane Maintenance and Repairs prepared by the Port on the basis of recommendations of the manufacturer of each Crane. The Port shall make one copy of each of the foregoing two documents applicable to each Crane, as amended from time to time, available to Lessee without charge at the Port's South Horton Street repair facility. If the Lessee fails to provide maintenance and repair service as required by this sub-paragraph and such deficiency is not corrected within 90 days after written notice from the Port, the Port may elect to take over the maintenance and repair of the Cranes, in which case the Lessee shall pay the cost of maintenance and repair at the Port's applicable tariff rates as amended from time to time.

(c) Lessee shall have the benefit of manufacturers' warranties on the Cranes and other major equipment installed on the Premises, and the Port will cooperate with Lessee by promptly processing any warranty claims. Lessee shall take no action or conduct itself in any way which would have the effect of voiding any such warranty, provided, however, with the consent of the Port, which shall not be unreasonably withheld, Lessee may take action to repair or restore any Crane which has failed in service to normal operating efficiency during the pendency of any warranty claims.

**ALTERATIONS
AND
IMPROVEMENTS**

9. (a) Lessee shall make no alterations or improvements to or upon the Premises or install any fixtures (other than trade fixtures which can be

removed without injury to the Premises) without first obtaining written approval from the Executive Director of the Port, which consent shall not unreasonably be withheld, and shall be subject to any and all conditions in such approval. In the event any alterations or improvements shall be made or fixtures (other than trade fixtures which can be removed without injury to the Premises) shall be installed by Lessee, they shall at once become a part of the realty and become the property of the Port. Movable furniture, temporary structures, and trade fixtures which are removable without injury to the Premises shall be and remain the property of the Lessee. All improvements identified on Exhibit B including those the payment of which is amortized by Lessee shall at once, upon completion become a part of the realty and become the property of the Port.

(b) With respect to the design and construction of any improvement to the Premises which is initiated by the Port, the Port agrees to consult with Lessee at all stages of the design and construction and to consider the operational and safety requirements of Lessee. Further, to the extent economically feasible, the Port agrees to incorporate all reasonable recommendations of Lessee in any Port improvement program at the Premises. The parties shall use their best efforts to coordinate the design and construction activities and to otherwise reasonably cooperate to facilitate timely performance of their obligations under this paragraph.

(c) Subject to obtaining the consent of the Port, which will not be unreasonably withheld, Lessee shall have the right to make modifications of the Cranes, at its own expense.

INSPECTION

10. The Port reserves the right, upon notification to Lessee's senior local representative, to inspect the Premises and/or the Cranes at any and all reasonable times throughout the term of this Lease for the purpose of determining compliance with the terms of this Lease and particularly Lessee's obligations of maintenance and repair of the Premises and Cranes under paragraph 8 above, provided that the Port shall not interfere unduly with Lessee's operations. The Port's representative shall observe reasonable safety requirements imposed by Lessee. The right of inspection reserved to the Port hereunder shall impose no obligation on the Port to make inspections to ascertain the condition of the Premises, shall impose no liability on the Port for failure to make such inspections, and shall not relieve Lessee from any of its obligations under the Lease and applicable law.

PROVISION FOR INTERIM USE AND POSSESSION

11. (a) During the period of construction, improvement and/or acquisition of the Premises the Lessee shall be provided with interim occupancy of a portion of the Premises, and certain other premises as provided below, at a rental adjusted to reflect partial occupancy as more particularly

provided on Exhibit C hereto. More particularly, until March 1, 1986 Lessee shall continue to occupy Terminal 46, as described in FMC agreement T-3968. During Phase 1, being the period from the commencement of this lease to December 31, 1986, the Lessee shall have the use and occupancy of 30 acres within the shaded area of Exhibit A hereto, and, to accommodate construction activity disruption, this area shall be supplemented by up to 10 acres of vacant off-premises property owned or leased by the Port and located at Terminal 115 or such other comparable location as may be mutually agreed to by the parties. During Phase 2, being the period from January 1, 1987 to December 31, 1988, the Lessee shall have the use and occupancy of the entire premises shown on Exhibit A, excepting approximately 7 acres delineated by shading on Exhibit A. From January 1, 1989 through the end of the lease term the Lessee shall have the use and occupancy of the entire Premises shown on Exhibit A.

(b) The Port shall diligently proceed to complete the improvements described in Exhibit B hereto in a good and workmanlike manner and as promptly as possible, and during the period of constructing these improvements, the parties shall cooperate to minimize any disruption of Lessee's terminal operations or the Port's construction work.

(c) To accommodate Lessee's move from Terminal 46 to Terminal 5 certain temporary facilities meeting Lessee's specific requirements will need to be installed for Lessee's use at Terminal 5. These facilities include, but are not necessarily limited to parking, marine building and gate modifications and other minor terminal improvements. The Port will reimburse Lessee for the costs involved in the design and construction of these items where (i) the Port has concurred, in advance, that the item is a temporary facility within the meaning of this subparagraph; (ii) has given prior approval of the cost estimate associated with the item and (iii) the Port is presented with contractor's invoices and any other necessary documentation demonstrating that the work has been completed in a satisfactory manner. The amount reimbursed by the Port shall not exceed the prior approved cost estimate associated with that item.

**DAMAGE OR
DESTRUCTION
OF PREMISES**

12. (a) Should the Cranes or the Premises or any of the buildings, structures, or equipment within the Premises, be damaged by fire or other casualty, and if the damage is repairable within ninety (90) days from the date of the occurrence (with the repair work and the preparations therefor to be done during regular working hours on regular workdays), the damage shall be repaired with due diligence by the Port, and in the meantime, the rent provided for in paragraph 3, shall be abated in the same proportion that Lessee's reduction in operation bears to its full operation, for the period that Lessee's operations are inhibited from

the occurrence of the damage to the completion of the repairs.

(b) In the event that the Cranes or the Premises, or any buildings, structures, or equipment within Premises, are a total or constructive total loss due to fire or other casualty, or in the event that they be damaged to such an extent that the damage cannot be repaired within ninety (90) days of the occurrence, the Port shall discuss the extent of the damage and the need for restoration and repairs with Lessee and after full discussion, either party shall have the option to terminate this Lease on thirty (30) days' notice, effective as of any date not more than ninety (90) days after said notice. If the parties shall elect to continue this Lease in effect, the Port shall commence and prosecute with due diligence any work necessary to repair the damage. For the period from the occurrence of any damage to the date of completion of repairs (or to the date of termination of the Lease if the parties have elected not to restore the premises), the monthly rent shall be abated in the same proportion that Lessee's reduction in operation bears to its full operation, or if Lessee's operations have been temporarily moved elsewhere because of such casualty, the obligation to pay rent shall be so abated until the damage is repaired. In the event this Lease is terminated hereunder, all obligations between the parties shall be discharged.

PORT
DISCLAIMER-
INDEMNITY BY
LESSEE

13. (a) Except as set forth in subparagraph (b) below, the Port, its employees and its agents shall not be liable for injury (including death) to any persons or for damage to any property regardless of how such injury or damage be caused, sustained or alleged to have been sustained, by Lessee or by its invitees, agents, employees, contractors or subcontractors of Lessee as a result of any condition (including existing or future defects in the Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to the Premises or the use, operation, maintenance or condition of the Cranes.

(b) The foregoing disclaimer shall not apply to liability arising from:

(1) The Port's exercise of its secondary rights to use the Premises under paragraph 5(c), and

(2) injury, death, or property damage to the extent arising from the sole negligence of the Port.

(c) Lessee, and its employees, agree to defend and to hold and save the Port harmless from all liability or expense, including expense of litigation, in connection with any such items of actual or alleged injury or damage within the scope of the foregoing disclaimer by the Port, (other than those arising out of latent defects in the

Premises or to the extent arising out of the Port's negligence). The Port similarly agrees to defend and hold and save Lessee harmless to the extent of any injury or damage caused or alleged to have been caused by a secondary user of the Port or the stevedoring or terminal services contractor of such secondary user (other than Lessee or a corporation under common control with Lessee) or otherwise within the scope of the two (2) exceptions to the Port's disclaimer provided in paragraph 13(b) above.

**LIABILITY
INSURANCE**

14. Lessee shall, at its own expense, maintain proper liability insurance with a reputable insurance company or companies satisfactory to the Port in the minimum single limit of Five Million Dollars (\$5,000,000) (or equivalent satisfactory to the Port, and hereafter in such increased amounts as the Port may from time-to-time specify, to indemnify both the Port and Lessee against any such liability or expense. The Port shall be named as additional insured, and shall be furnished with appropriate evidence to establish (1) that Lessee's insurance obligations as herein provided have been met, and (2) that the insurance policy or policies as herein required are not subject to cancellation without at least thirty (30) days' advance written notice to the Port. Lessee shall furnish to the Port from time-to-time evidence of renewal of insurance as required.

**WAIVER
OF SUBROGA-
TION**

15. Except to the extent provided in paragraph 13 above, the Port and Lessee hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective casualty insurance contracts, including any extended coverage endorsements thereto; provided, that this paragraph 15 shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of Port or Lessee.

**INCREASE IN
COST OF
INSURANCE**

16. Lessee shall not use the Premises and/ or the Cranes in such a manner or for a use other than as enumerated herein, or approved by the Port pursuant to paragraph 5, that will increase the risks covered by insurance on the Premises so as to increase the existing rates of insurance applicable to the Cranes and/or to the buildings or structures of which the Premises are a part. If Lessee nevertheless does so, then, at the option of the Port, the full amount of any resulting increase in premiums paid by the Port with respect to the Cranes or the Premises, or any of the buildings, structures, or equipment within the Premises, and to the extent allocable to the term of this Lease, may be added to the amount of rent hereinabove specified and shall be paid by Lessee to the Port in the monthly rental payment next thereafter occurring.

TAXES

17. Lessee shall be liable for, and shall pay throughout the term of this Lease (i) all license fees and excise taxes payable for, or on account

of, the activities conducted by Lessee or its invitees on the Premises, (ii) all taxes on the property of Lessee which is on the Premises, (iii) any taxes on the Premises and on the leasehold interest created by this Lease excluding any taxes resulting from Port's secondary use of the Premises (iv) any taxes levied in lieu of a tax on such leasehold interest excluding any taxes resulting from Port's secondary use of the Premises, and (v) any taxes levied on, or measured by, the sums payable by Lessee under this Lease whether imposed on Lessee or on the Port. Lessee shall reimburse the Port for all such taxes paid or payable by the Port. With respect to any such taxes payable by the Port which are on or measured by the payments hereunder, Lessee shall pay to the Port with each payment an amount equal to the tax on, or measured by, that particular payment. All other tax amounts for which the Port is or will be entitled to reimbursement from Lessee shall be payable by Lessee to the Port at least fifteen (15) days prior to the due dates of the respective tax amounts involved; provided, that Lessee shall be entitled to a minimum of ten (10) days' written notice of the amounts payable by it. The foregoing provisions of this paragraph 17 do not impose liability upon Lessee, and Lessee shall not be liable for license fees and excise taxes, property taxes or other taxes arising out of, or assessed by reason of, the Port's secondary use of the Premises pursuant to subparagraph 5(c).

COMPLIANCE
WITH PORT
REGULATIONS
AND WITH ALL
LAWS

18. Lessee agrees to comply with all applicable rules and regulations of the Port pertaining to the buildings or other realty of which the Premises are a part now in existence or hereafter promulgated for the general safety and convenience of the Port, its various tenants, invitees, licensees and the general public. Lessee further agrees to comply with all applicable federal, state, and municipal laws, ordinances, and regulations, including without limitation those relating to environmental matters.

ASSIGNMENT
OR SUBLEASE

19. Lessee shall have the right to assign or transfer this Lease or any interest therein and the right to sublet the whole or any part of the Premises, only upon receiving prior written consent of the Port; provided however, Lessee shall not be required to receive written consent in the event that Lessee desires to assign its right or delegate its duties hereunder to its wholly-owned subsidiary, Eagle Marine Services, Ltd., a Delaware corporation, or any other wholly owned subsidiary of Lessee's parent corporation, but Lessee shall remain fully liable for the performance of all of its obligations specified in the Lease following any such assignment or delegation to its affiliate. A copy of such assignment and consent shall be filed for information with the Federal Maritime Commission and the Port following execution and delivery. If the Port shall give its consent to any assignment or sublease, this paragraph shall nevertheless continue in full force and effect and no further assignment or sublease shall be made without the Port's consent.

DEFAULTS

20. (a) Lessee shall pay interest monthly at the annual rate of twelve percent (12%), or the maximum rate permitted from time to time by applicable law, whichever is less, on all sums remaining past due and owing to the Port under this Lease by thirty (30) days or more. In the event of the failure of Lessee to pay the rents, interest, and any and all other charges provided for in this Lease at the time and in the manner herein specified, or to keep any of the covenants or agreements herein set forth to be kept and performed, including without limitation the provisions of paragraph 4 relating to the Bond which must be furnished by Lessee and maintained throughout the term of this Lease, the Port may elect to terminate this Lease and reenter and take possession of the Premises with or without process of law; provided, however, that Lessee shall be given fifteen (15) days' notice in writing stating the nature of the default in order to permit such default to be remedied by Lessee within said fifteen (15) day period. Interest, default and all other remedies of the Port hereunder are cumulative and not alternative, except that after any default has been timely cured by Lessee, such default shall not thereafter be used by the Port as a ground for the commencement of any action under the provisions of this paragraph. Payment by Lessee to the Port of interest on rents or on any other charges due and owing under this Lease shall not cure or excuse Lessee's default in connection with such rents or other charges. If upon reentry by the Port there remains any personal property of Lessee or of any other person upon the Premises, the Port may, but without the obligation to do so, remove said property and hold it for the owners thereof or may place the same in the public garage or warehouse, all at the expense and risk of the owners thereof, and Lessee shall reimburse the Port for any expense incurred by the Port in connection with such removal and storage. The Port shall have the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, and apply the proceeds of such sale first to the cost of such sale, second to the payment of the charges for storage, third to the payment of any other amounts which may then be due from Lessee to the Port, and the balance, if any shall be paid to Lessee. Notwithstanding any such reentry, the liability of Lessee for the full rents and interest provided for herein shall not be extinguished for the balance of the term of this lease, and Lessee shall make good to the Port any deficiency arising from a reletting of the Premises at a lesser rental than in effect at the time of default. Lessee shall pay such deficiency each month as the amount thereof is ascertained by the Port.

(b) Lessee agrees that in the event this Lease terminates due to Lessee's default under subparagraph 20(a), Lessee, in addition to any liability it has for rentals and other damages, shall immediately pay to the Port a lump sum, which

shall be due and owing upon the date of such termination. The amount of such lump sum shall be computed on the following basis:

- (1) The then principal balance of the remaining unamortized improvement costs provided for in Exhibit C, item IIA, (being the improvements reimbursable by the Lessee) plus
- (2) The then principal balance of the remaining unamortized improvement costs provided for in Exhibit C, item IIB, (being the improvements furnished by the Port).

TERMINATION

21. This Lease does not provide the Port its customary right to terminate if the Premises are required for major Port capital improvement, inasmuch as the Port is making major capital improvements at the Premises in connection with this lease, and is making additional capital improvements to be amortized by Lessee under Exhibit C.

TERMINATION FOR GOVERNMENT USE

22. In the event that any federal, state or local government or agency or instrumentality thereof (other than the Port) shall, by condemnation or otherwise, take title or possession or the right to possession of the Premises or any part thereof, the Port may, at its option, terminate this Lease by written notice to Lessee as of the date of such taking and, if Lessee is not in default under any of the provisions of this Lease on such date, any rent prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee. In the event of such termination by the Port all rights and obligations hereunder shall thereupon terminate, including Lessee's obligation to pay any unamortized Port costs of improvements, with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination. In the event that only a portion of the Premises is so taken by paramount governmental authority, there shall be a partial abatement of the rental and amortization payments due to the Port for the inhibition of Lessee's operations in the proportion that the Lessee's reduction in operations bears to its full operation at the time of such taking. If, however, the wharf or more than thirty-five percent (35%) of the land is condemned, then Lessee may cancel and terminate this Lease upon giving the Port two (2) months' prior written notice of its intention to so cancel and terminate. Whether or not the Port terminates this Lease in the event of such taking, Lessee shall be entitled to participate, at no expense to the Port, in all court proceedings related to such taking, and shall be entitled to compensation from the governmental entity making the taking as Lessee's interest may appear.

**TERMINATION
BECAUSE OF
COURT DECREE**

23. In the event that any court having jurisdiction of the matter shall render a decision which has become final and which prevents the performance by the Port or Lessee of any material obligations under this Lease, then either party hereto may terminate this Lease by written notice to the other. In such event, the provisions of Paragraph 22 with regard to pro-rata abatement of rental and amortization payments, termination of certain rights and obligations of Lessee, and Lessee's entitlement to participate in court proceedings shall apply.

SIGNS

24. (a) No signs or other advertising matter, symbols, canopies, or awnings shall be attached to or painted on or within the Premises, including the windows and doors thereof, without first obtaining the approval of the Executive Director of the Port, which approval shall not be unreasonably withheld.

(b) At the termination or sooner expiration of this Lease, all such signs, advertising matter, symbols, canopies or awnings attached to or painted by Lessee shall be removed by Lessee at its own expense, and Lessee shall repair any damage or injury to the Premises and correct any unsightly condition caused by the maintenance and removal of said signs.

(c) The Port may post, erect, and maintain on the Premises such signs as it may reasonably require which will not materially interfere with Lessee's use and occupancy of the Premises.

WAIVER

25. (a) Waiver by either party at any time of any of the terms, conditions, covenants or agreements of this Lease shall not be deemed or taken as a waiver at any time thereafter of the same or any other term, condition, covenant or agreement herein contained, nor of the strict and prompt performance thereof by the proper party. Acceptance of rent by the Port subsequent to the date upon which such rent became due and payable, shall not be deemed to be a waiver of any breach by Lessee or any term, covenant or condition of this Lease other than the failure of Lessee to timely make the particular rent payment so accepted, regardless of the Port's knowledge of such other breach. No delay, failure or omission of either party to execute any right, power, privilege or option arising from any default nor subsequent acceptance of any guarantee then or thereafter extended, shall impair any such right, power, privilege or option, or be construed to be a waiver of any such default or relinquishment of remedies in consequence thereof, or acquiescence therein, and no notice by either party shall be required to restore or revive the "time is of the essence" provision of paragraph 33 herein after waiver by the other party or default in one or more instances. No option, right, power, remedy or privilege of either party shall be construed as being exhausted or discharged by the exercise thereof in one or more instances.

(b) It is agreed that except as otherwise expressly provided herein, each and all of the rights, power, options or remedies given to the Port and Lessee by this Lease are cumulative, and no one of them shall be exclusive of any other right, power, option or remedy of either party or shall impair their rights to any other right, power, option or remedy.

**PROMOTION OF
PORT COMMERCE**

26. Lessee agrees that throughout the term of this Lease it will, insofar as practicable and consistent with Lessee's business interests in Lessee's sole determination, promote and aid the movement of freight through facilities within the territorial limits of the Port.

**SURRENDER OF
PREMISES -
ATTORNEY'S
FEES**

27. At the expiration or sooner termination of this Lease, Lessee shall promptly surrender possession of the Premises to the Port and shall deliver to the Port all keys that it may have to any and all parts of the Premises. In the event that either party shall be required to bring any action to enforce, protect, or establish any right or remedy arising out of any of the provisions of this Lease, or shall be required to defend any action brought by the other party with respect to this Lease, and in the further event that one party shall entirely prevail in such action, the losing party shall, in addition to all other payments required therein, pay all of the prevailing party's actual costs in connection with such action, including such sums as the court or courts may adjudge reasonable for attorney's fees and the value of house counsel services in the trial court and in any appellate courts. The party to which costs are awarded shall be deemed the prevailing party.

**APPLICABLE
LAW**

28. This Lease shall be governed by and construed in accordance with the law of the State of Washington, except to the extent governed by the laws of the United States and the rules and regulations of agencies of the United States.

HOLDING OVER

29. If Lessee shall, with the consent of the Port, hold over after the expiration or sooner termination of the term of this Lease, the resulting tenancy shall, unless otherwise mutually agreed, be for an indefinite period of time on a month-to-month basis. During such month-to-month tenancy, Lessee shall pay to the Port the same rate of rent as in effect immediately preceding such holdover, unless a different rate shall be agreed upon, and shall be bound by all terms and conditions set forth herein.

**ADVANCES BY
PORT FOR
LESSEE**

30. If Lessee shall fail to do anything required to be done by it under the terms of this Lease, except to pay rent, the Port may, at its sole option, after giving the Lessee not less than 15 days notice and opportunity to cure the default in cases other than those where health or safety require immediate action, do such act or thing on behalf of Lessee, and upon notification to Lessee

of the cost thereof to the Port, Lessee shall promptly pay the Port the amount of that cost.

**LIENS AND
ENCUMBRANCES**

31. Lessee shall keep the Premises free and clear of any liens and encumbrances arising or growing out of the use and occupancy of the said Premises by Lessee. At the Port's request, Lessee shall furnish the Port with written proof of payment of any item which would or might constitute the basis for such a lien on the Premises if not paid.

NOTICES

32. In all cases where written notice is to be given under this Lease, notice may be given by United States mail, first class postage prepaid. When so given, such notice shall be effective three days following the date of mailing of the same, provided that if a provision of the Lease states that notice is to be delivered to party, or a period of time begins with delivery of notice to a party, such notice shall be effective and such time shall begin with actual delivery of the notice to the party to be charged. For the purpose hereof, unless otherwise provided by notice in writing from the respective parties, notice to the Port shall be addressed to:

Executive Director
Port of Seattle
P.O. Box 1209
Seattle, WA 98111

and notice to Lessee shall be addressed to:

American President Lines, Ltd.
1800 Harrison Street
Oakland, CA 94612
Attention: Vice President-Land
Operations

with a copy to:

American President Lines, Ltd.
2001 John Gibson Blvd.
San Pedro, CA 90731
Attention: Director, Western Region

or such other respective addresses as either party hereto may hereafter from time to time designate in writing. Nothing herein contained shall preclude or render inoperative service of notice in the manner prescribed by law or any manner other than first class mail.

MISCELLANEOUS

33. (a) Time is expressly declared to be of the essence in this Lease.

(b) Captions or headings at the beginning of each paragraph are intended for convenience of reference only and shall not affect the interpretation or construction of this Lease.

**INVALIDITY OF
PARTICULAR
PROVISIONS**

34. If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be held invalid or unenforceable by final judgment of any court or competent jurisdiction or by final order of the Federal Maritime Commission, it shall be deemed severed and the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect; provided, however, if such severance results in the material interference or substantial frustration of either party's rights or interests in the Premises, it shall have the right to terminate this lease by delivering not less than ninety (90) days' written notice to the other party. Obligations between the parties shall then be discharged; provided, however, if the Lessee is the party electing to terminate, Lessee must first pay to the Port a lump sum, pursuant to paragraphs 2(c)(i) and (ii). Lessee shall not be obligated to pay such lump sum in the event the Port elects to terminate this Lease pursuant to this paragraph.

**NONDISCRIMI-
NATION IN
SERVICES**

35. (a) The Port and Lessee, each for its own part, agree that, subject to its obligations as a federal contractor, it will not unlawfully discriminate by segregation or otherwise against any person or persons because of race, sex, age, creed, color or national origin in furnishing, or by refusing to furnish, to such person, or persons, the use of the facility herein provided, including any and all services, privileges, accommodations, and activities provided thereby.

(b) It is agreed that noncompliance with the provisions of this clause shall constitute a material breach of this lease. In the event of such noncompliance, the party which remains in compliance may take appropriate action to enforce compliance or may pursue such other remedies as may be provided by law.

**NONDISCRIMI-
NATION IN
EMPLOYMENT**

36. The Port and Lessee, each in its own part, covenant and agree subject to its obligations as a federal contractor, that in all matters pertaining to the performance of this Lease, it shall at all times conduct its business in a manner which conforms to all legal requirements relating to the fair, equal and nondiscriminatory treatment of all persons without respect to race, sex, age, color, creed or national origin and, in particular:

(a) The Port and Lessee will each maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are members of racial or other minorities, and

(b) The Port and Lessee will each comply strictly with all requirement of applicable federal, state and local laws or regulations issued pursuant thereto relating to the establishment of nondiscriminatory requirements in hiring and

employment practices and assuring the service of all patrons or customers without discrimination as to any person's race, sex, age, creed, color or national origin.

LABOR UNREST

37. Lessee agrees, provided it is not adverse to Lessee's interests, to join with Port and use its best efforts in avoiding labor unrest, or in the event of a strike or other labor difficulty, to use its good offices in negotiating and bringing to a swift and satisfactory conclusion and kind of labor dispute that may affect the interest of the Port.

EASEMENTS

38. (a) The parties recognize that the Port facilities are continuously being modified to improve the utilities, services, and Premises provided by the Port. In an emergency, or with the consent of Lessee's senior local representatives, the Port, or its agents, shall have the right to enter the Premises of Lessee, and to cross over, construct, move, reconstruct, rearrange, alter, maintain, repair, and operate the sewer, water, and drainage lines, and the electrical service, and all other services and facilities required by the Port for its use. The Port is hereby granted a continuous easement or easements within the Premises of Lessee, without any additional costs to the Port, for the purposes expressed hereinabove; provided, however, that the Port by virtue of such use, shall not substantially deprive Lessee of its beneficial use or occupancy of its leased area for an unreasonable period of time, not to exceed one (1) working day, without consent of Lessee. The parties further recognize the existence of City of Seattle Utility easements upon a portion of the premises.

(b) In the event that either the Port or the City of Seattle, in exercise of their respective easement rights, deprives Lessee from such beneficial use or occupancy for more than one (1) working day, there shall be an abatement in rental due the Port for such inhibition of Lessee's operations in the same proportion that Lessee's reduction in operations bears to its full operation, prorated to the number of days during which Lessee's operations are inhibited; or the Port at its election shall pay the cost required to modify the Premises to allow the Lessee to operate its business.

FEDERAL MARITIME COMMISSION REGULATION

39. This instrument shall be filed with the Federal Maritime Commission under Section 5 of the Shipping Act of 1984, and implementing regulation. No future amendment or modification to this instrument (other than a termination of the entire agreement between the parties by their mutual consent) shall become effective until such amendment or modification has become effective under Federal Maritime Commission procedures.

ENTIRE AGREEMENT-AMENDMENTS

40. This Lease, together with attached Exhibit A, B, C (including schedules), D and E shall constitute the whole agreement between the parties with regard to Terminal 5. There are no

terms, obligations, covenants or conditions other than those contained herein. No modification or amendment of this agreement shall be valid or effective unless evidenced by an agreement in writing signed by both parties.

IN WITNESS the parties hereto have signed this Lease as of the day and year first above written.

ATTEST

By

Jim Wright
Secretary, Jim Wright

(CORPORATE SEAL)

PORT OF SEATTLE, Lessor

By

Jack S. Glock
President, Jack S. Glock

AMERICAN PRESIDENT LINES, LTD.,
Lessee

By

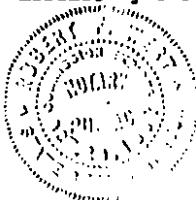
E.K. Pentimonti
Vice President, Land
Operations, E.K. Pentimonti

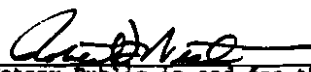
(CORPORATE SEAL)

STATE OF Washington)
) as.
COUNTY OF King)

On this 26th day of September, 1985, before me personally appeared E. K. PENTIMONTI, to me known to be the Vice President, Land Operations, of American President Lines, Ltd., and acknowledged the within and foregoing instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed by official seal the day and year first above written.




Notary Public in and for the State
of Washington, residing at Seattle.

STATE OF WASHINGTON)
) as.
COUNTY OF KING)

On this 26th day of September, 1985, before me, the undersigned notary public in and for the State of Washington, duly commissioned and sworn, personally appeared JACK S. Block and Tim Wright, to me known to be the President and Secretary, respectively, of the Port Commission of the PORT OF SEATTLE, a municipal corporation, the corporation that executed the foregoing instrument, and acknowledged said instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were duly authorized to execute the same and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto the day and year in this certificate first above written.


Notary Public in and for the State
of Washington, residing at Seattle.